

1 CHAIR JAMES: And with that let's start with Mr.  
2 Fahrenkopf.

3 MR. FAHRENKOPF: Madam Chairman, members of the  
4 Commission, I appreciate having the opportunity to offer my  
5 thoughts on what has been a very interesting 20 months or so.

6 I believe we have been through a very extremely useful  
7 process, and I think that all of us have learned quite a great  
8 deal.

9 You should have, before you, a comprehensive report  
10 produced for the American Gaming Association entitled: A Report  
11 on America's Casino Gaming Industry, as well as a chart  
12 describing the industry's progress on responsible gaming, and a  
13 detailed statement that I will be summarizing here today.

14 The AGA and the entertainment, casino entertainment  
15 industry has cooperated in every way possible to provide this  
16 Commission what it would need to gain the necessary knowledge  
17 based on solid research. To that end we recommended speakers for  
18 your site visits, we opened up our places of business for the  
19 NORC patron survey, and identified casinos for the casino survey.

20 We made numerous presentations before the NRC, we  
21 testified of course, before this group. You have also heard many  
22 hours of testimony by employees from our industry, and others who  
23 informed you on what we are all about.

24 We provided a wealth of studies, research, articles and  
25 material in the interest, to quote the Chair from the first  
26 meeting, "An open minded, fair, and undaunted pursuit of  
27 knowledge".

28 You are also presented with annual reports, data and  
29 statistics from various state gaming officials. I would like to

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1 briefly take you through a sampling of the information provided  
2 to the Commission during your hearings, which I know you will  
3 carefully consider as you strive to meet your statutory  
4 responsibilities.

5 I will then go on to describe our recommendations in  
6 each of these areas, which incorporates the views of experts in  
7 the fields of law, social science, law enforcement, criminal  
8 justice, economics, and addiction research.

9 And these are all listed in this document. If you go to  
10 page 11 of the lengthy document, that is where the specific  
11 recommendations are set forth, which I will be discussing.

12 First some general recommendations. Regulation and  
13 taxation of gaming, with the exception of Native American and  
14 Internet gaming, is a state responsibility under the Tenth  
15 Amendment to the Constitution.

16 Do not, please, undermine the state's ability to  
17 regulate gaming within their borders. I was pleased to see that  
18 ALEC and the Mayors Association joined in that request.

19 Rely on facts, not myths, stereotypes, and propaganda  
20 in reaching your conclusion. And, third, freedom of choice is  
21 the building block of American democracy. Protect the rights of  
22 individual Americans who choose to be entertained and pursue  
23 employment opportunities in the gaming industry.

24 It is actually in this document, not the booklet. Here  
25 is an extra copy, page 11.

26 Now, with regard to the economic impact, until recently  
27 we were compelled to rely on economic models and theories in  
28 order to study our relatively young and maturing casino  
29 entertainment industry.

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1           That is no longer the case. Economic models and  
2 theories can now be evaluated through the prism of experience.  
3 The experience of the last four or five years in the number of  
4 states that are new venues, allow us to better understand the  
5 economic impacts of gaming on state and local communities.

6           We can now produce actual reliable, factual, and  
7 unbiased results by studying independently derived statistical  
8 data from state and local governments across the country.

9           So our recommendations in this field, the economic  
10 field. Number 1, rely on actual data and statistics. Economic  
11 models or projections are no longer needed to reach accurate  
12 conclusions.

13           Consider federal, state, local and corporate taxes, job  
14 creation, annual payroll, capital investment, and infrastructure  
15 improvements when making decisions.

16           Consider, also, the indirect economic impacts, such as  
17 dollars spent on goods and services, retail sales, new business  
18 creation, and commercial and residential construction. Some of  
19 the things that, in fact, NORC mentioned yesterday.

20           Number 4, reject outdated theories that allege that  
21 gaming is predatory, taking from other established businesses  
22 without creating growth of its own within the community.

23           Actual statistics from state and local government  
24 demonstrate that casino gaming helps to diversify and expand the  
25 local economy.

26           Number 5, rely on gross gambling revenue, not handle,  
27 to compare one form of gambling to another, or to other  
28 businesses, industries, or the general economy. Gross gambling

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1 revenues reflect the actual cost to consumers, and the revenue  
2 derived by operators before taxes.

3 Handle is the gross amount wagered, and does not  
4 reflect the amount won back by players. I understand what Dick  
5 was talking about yesterday, however, it might be useful for  
6 transfer payments, and some of the comments that he made.

7 Social impact. One of the most common arguments made  
8 by opponents is that social costs of gaming outweigh any economic  
9 benefits. What they don't take into account is the fact that  
10 social costs only tells part of the story.

11 The big picture view of the impact of gaming on  
12 American society shows that this business is a net positive  
13 generator of jobs, tax revenue, and commercial development, among  
14 other benefits.

15 This translates into general social benefits, a word  
16 that also ought to be going along with social costs. They are  
17 too often lost in discussions that revolve around these so called  
18 social costs argument.

19 Any discussion of the social impact of gaming should  
20 weigh the full range of benefits with documentation of actual  
21 costs for a fair consideration of the issue.

22 Our recommendations here, consider these social  
23 benefits. What do I mean? Number 2, consider employee and  
24 family access to health care. Employee access to day care,  
25 development of new job skills, percentage of employees that have  
26 left welfare, or eliminated welfare benefits as a result of  
27 casino employment. Reductions in unemployment rates, charitable  
28 contributions made by our companies and our employees, and

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1 volunteer time given to charitable organizations. Those are all  
2 social benefits.

3 Number 3, recognize the high percentage of minority,  
4 disabled, and female employees who are employed by the casino  
5 gaming industry.

6 Number 4, challenge statistics that purport to  
7 accurately measure social costs. Most are chosen selectively,  
8 and cannot be verified. Close and unbiased scrutiny finds many  
9 of these estimates to be either greatly exaggerated, or totally  
10 false.

11 In fact, in looking at the numbers yesterday I'm not  
12 sure, and I haven't talked to Dean, whether or not any social  
13 benefits were factored into those numbers. And those numbers,  
14 yesterday, were much lower than most of the estimates we have  
15 seen over the last number of years.

16 When considering the subjects of crime and suicide  
17 properly account for the influx of visitors to the community.  
18 And you remember the testimony of many of the mayors who  
19 testified in Chicago, I think it was, who said in their riverboat  
20 communities crime actually went down.

21 And I hope that you will have the opportunity, as was  
22 discussed yesterday, to listen to the National Association of  
23 Chiefs of Police caucus.

24 When examining the possible relationship between  
25 gambling and bankruptcies, consider the impact of credit cards,  
26 health insurance, bankruptcy laws, and other masking  
27 characteristics.

28 And I was happy to see the finding on page 52 of the  
29 NORC report yesterday, that in their 100 communities that they

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1 studied, there was no indication, whatsoever, that casino  
2 gambling increased crime, or increased bankruptcies.

3 With regard to regulation, casino gaming is one of the  
4 most highly regulated industries in the United States. Although  
5 the industry is tightly regulated at the state level, most major  
6 casinos are also publicly traded, resulting in multiple layers of  
7 oversight from the Securities and Exchange Commission,  
8 stockholders, and institutional investors.

9 Our recommendation in this area, encourage strong  
10 independent state regulation of the casino gaming industry.

11 Number 2, recognize that the industry is one of the  
12 most highly regulated industries in the country, and number 3,  
13 put to rest, once and for all, the myth that organized crime  
14 owns, operates, or influences casinos.

15 The casino entertainment industry is made up,  
16 predominantly, of publicly traded companies owned by stockholders  
17 and institutional investors.

18 Disordered gambling. Madam Chairman and members of the  
19 Commission, throughout your consideration process there has been  
20 a vigorous exchange of opinions on casino gaming and related  
21 matters.

22 It has been healthy, stimulating, and educational. But  
23 no matter what views you heard expressed on this subject, you  
24 heard agreement, I think, from all sides, that serious attention  
25 must be accorded to disordered gambling.

26 While a vast majority of Americans can enjoy gaming  
27 responsibly, there are those who cannot. And these people must be  
28 helped. As we have seen, disordered gambling is complex and

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1 difficult to understand. The lack of agreement on the  
2 terminology to be used only compounds the difficulty.

3 That has led to the development of despair, and often  
4 conflicting information about the number of people who suffer  
5 from gambling addictions.

6 The recent study by the Harvard Medical School  
7 indicated that 1.29 percent of the adult population could be  
8 classified as having serious pathological problems, or class III.

9 Yesterday we heard from NORC that in the past year,  
10 that figure is six tenths of a percent. Why the variation in  
11 numbers? The Harvard study, and NORC yesterday, also indicates  
12 that the majority of the people who fall in the pathological  
13 category are people who experience other psychiatric disorders,  
14 such as alcoholism, drug abuse, and depression.

15 And that is why it is so critical, in our view, that we  
16 dedicate funding for additional research, as the casino industry  
17 has done through the National Center for Responsible Gaming, to  
18 determine how best to prevent and treat this disorder.

19 It is through sound scientific analysis by independent  
20 researchers, that we will be able to develop the best answers to  
21 this problem.

22 So our recommendations in this field: Encourage  
23 research into the prevention, education, and treatment of  
24 disordered gambling. Number 2, do not support the assumption  
25 that all gamblers who experience problems eventually progress to  
26 become pathological gamblers, or that once someone becomes a  
27 disordered gambler only professional treatment will arrest the  
28 problem.

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1 More research, really, must be done in this area, as  
2 Dr. Schaeffer has indicated to this Commission. Do not rely on  
3 statistics that purport to accurately estimate the economic and  
4 social impact of disordered gambling without precise estimates of  
5 the duration of gambling disorders, and the extent of the  
6 population that recovers without any treatment at all.

7 Number 4, support state funding of disordered gambling  
8 programs from existing tax revenues, and based on actual needs by  
9 the individual states.

10 Number 5, encourage the development of an independent  
11 standard, or gold standard for determining pathological gambling.  
12 We heard from NORC and Rachel Volberg that they have created what  
13 they hope will be the new gold standard.

14 I don't know what the rest of the scientific community  
15 will say about it. In my brief look at it, it made a lot of  
16 sense to me, but I'm not a scientist. We think that the  
17 Commission ought to urge that that gold standard be worked on.

18 COMMISSIONER BIBLE: Before you leave that portion,  
19 your fourth point is support state funding for disordered  
20 gambling programs. How do you ensure uniformity of approach  
21 throughout the United States? It would seem to me you are going  
22 to have 50 different approaches, and -- .

23 MR. FAHRENKOPF: I'm going to get to that in just a  
24 moment, Bill, because it is going to be state's rights. One  
25 state may want to make one decision or another, but we have some  
26 suggestions, hopefully, that will help them in that way.

27 We in the casino entertainment industry have declared  
28 that one problem gambler is one too many. We are absolutely  
29 committed to working for the development and implementation of

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1 education, prevention, and treatment programs for disordered  
2 gaming.

3           You will see behind Bernie, over here, we call our  
4 progress kit. You need to see it right beside the chart. This  
5 is presently being prepared by us and finished. It will provide  
6 gaming industry companies with all the tools necessary to  
7 initiate a responsible gaming program within their facilities.

8           Volume I of the multimedia kit will include an overview  
9 of all the issues that should be addressed through education and  
10 training, as well as sample brochures and artwork for all  
11 information materials that can assist customers or educate  
12 employees about the disordered and underage gambling.

13           Volumes II and III of the kit will include educational  
14 curricula on disordered gambling and underage gambling, and that  
15 can be customized for every company or property. Each set will  
16 provide a comprehensive minimum standards responsible gaming  
17 program for members and other gaming industry companies,  
18 including the pari-mutuel industry, and tribal casinos.

19           In addition the industry, in conjunction with the AGA,  
20 has developed and adopted, and these should be in your file,  
21 comprehensive voluntary guidelines to address all aspects of  
22 disordered and underage gambling to ensure that customers and  
23 employees have the necessary information to seek help if needed.

24           Those guidelines, which are in your packet, were  
25 adopted by the Board of Directors of the AGA.

26           We are also developing a voluntary program pertaining  
27 to advertising, and marketing of gaming and casinos operated by  
28 members of the AGA. The purpose of the program will be two-fold.

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1           Number one, to ensure responsible and appropriate  
2 advertising and marketing of casinos to adults that reflects  
3 generally accepted contemporary standards.

4           And two, to avoid casino advertising and marketing  
5 materials that specifically appeal to children and minors.

6           So our recommendations in this area. Number one,  
7 encourage all states to adopt 21 as the legal age for all forms  
8 of gaming. Number 2, recognize, as does our industry, that one  
9 problem gambler is one too many.

10           Number 3, support the development and implementation of  
11 comprehensive uniform voluntary guidelines addressing underage  
12 and disordered gambling for all segments of the gaming industry.

13           What I mean by that is all segments of the gaming  
14 industry should adopt a uniform set of voluntary guidelines  
15 governing advertising. All segments of the industry should  
16 provide funding for the National Center of Responsible Gaming to  
17 conduct research on underage and disordered gambling.

18           All segments of the gaming industry should institute  
19 training coverage covering underage gambling, and disordered  
20 gambling for all individuals, their employees who interact  
21 directly with customers participating in a gambling activity.

22           All segments of the industry should give new employees  
23 a presentation on disordered gambling, underage gambling, and  
24 unattended minors as part of their orientation.

25           All segments of the industry should maintain an ongoing  
26 internal communication program for their own employees on these  
27 problems. All segments of the industry should make employees  
28 aware of the benefits available to them through their employee

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1 assistance program. This is employees who are having  
2 difficulties.

3 All segments of the industry should produce and post  
4 informational brochures, posters, and other signage. All  
5 segments should post signage with a toll free help line phone  
6 number in their state.

7 All segments should have in place procedures that will  
8 allow an individual to exclude himself, or herself, from check  
9 cashing, credit, slot club, and direct mail privileges.

10 All segments of the industry should seek ways to  
11 improve community awareness. And last, and maybe it was one that  
12 I should have started with at the very beginning, recognize,  
13 hopefully this Commission, that the overwhelming majority of  
14 Americans gamble responsibly, and view gaming as a form of  
15 entertainment, acceptable for themselves and others.

16 Now, you have in your packet, also, a copy of that  
17 chart that is on the wall there, or on the easel behind Bernie.

18 And perhaps during the question and answer period. But  
19 what this is, is a partial list of the work that the industry has  
20 done and is doing on responsible gaming.

21 Now you need, I think, to stress, because in answer to  
22 a question that Leo asked earlier, there are only ten states that  
23 have commercial casino gaming. Only ten. Nevada and New Jersey  
24 have been at it for a long time. Nevada since 1931, New Jersey  
25 since 1978.

26 You have small operations in Jim's home state of  
27 Colorado, and in South Dakota, and some mining towns. And then  
28 you have the six, what are known as the new riverboat states,  
29 Illinois, Indiana, Iowa, Missouri, Mississippi, and Louisiana.

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1           Now, in those ten states, seven of those states, by  
2 either state statute, by their legislature, or by the regulatory  
3 authorities, have taken steps to address problem gambling. I'm  
4 not saying it is enough or sufficient.

5           And Mississippi will be adopting, within the next  
6 month, a plan that Mr. Bible put forth for Nevada, and which was  
7 adopted in Nevada. It is actually only South Dakota and  
8 Colorado, who have not done anything in that area.

9           So I want to make sure that with regard to the  
10 commercial casino gaming, that there are things that are  
11 differentiated. So I'll stop there, and try to -- .

12           COMMISSIONER DOBSON: You are excluding Indian -- .

13           MR. FAHRENKOPF: Yes, only commercial, commercial  
14 industry, not the Indians.

15

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